恒益控股有限公司

HANG YICK HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 1894

INTERIM REPORT 2018

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Lee Pui Sun *(Chairman)*
Ms. Lau Lai Ching

Non-executive Director
Mr. Lee Ka Chun Benny

Independent Non-executive Directors
Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

AUDIT COMMITTEE

Mr. Tse Ka Ching Justin *(Chairman)*
Mr. Au Yeung Wai Key
Hon Cheung Kwok Kwan, *JP*

REMUNERATION COMMITTEE

Mr. Au Yeung Wai Key *(Chairman)*
Hon Cheung Kwok Kwan, *JP*
Mr. Tse Ka Ching Justin

NOMINATION COMMITTEE

Hon Cheung Kwok Kwan, *JP (Chairman)*
Mr. Au Yeung Wai Key
Mr. Tse Ka Ching Justin

COMPANY SECRETARY

Mr. Leung Wing Lun *(HKICPA)*

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Lee Pui Sun
Mr. Leung Wing Lun *(HKICPA)*

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, Upper G/F
Stage 4 Yau Tong Industrial Building
18-20 Sze Shan Street
Yau Tong, Kowloon, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

COMPLIANCE ADVISER

Fortune Financial Capital Limited

LEGAL ADVISER AS TO HONG KONG LAW

Stephenson Harwood

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Bank of China Huizhou Lilin Branch
Agricultural Bank of China Huizhou Lilin Branch

STOCK CODE

1894

COMPANY WEBSITE

http://www.hy-engineering.com

INVESTOR RELATIONS

Financial Asia Limited
Email: hangyick@finasia.com.hk
Tel: (852) 2522 8051

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Hang Yick Holdings Company Limited (the "Company", together with its subsidiaries collectively, the "Group" or "we"), I would like to present to our shareholders the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 (the "Reporting Period"). This is our first interim report following the Company's listing (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2018 (the "Listing Date"). I am thrilled to present to our shareholders a period of achievements and growth.

Being a leading and well-established steel and metal engineering company, the Group specialises in design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. During the Reporting Period, we have recorded sound financial performance, with a 13.7% revenue growth as compared to the corresponding period last year, and a 24.0% growth on adjusted net profit (excluding listing expenses) as compared to the corresponding period last year. Further details of our financial performance are disclosed in the Management Discussion and Analysis section of this interim report.

Thanks to the Group's outstanding reputation, seasoned management team, together with the continuous growth in Hong Kong's public residential market, our business has been developing in a steady pace. As at the end of the Reporting Period, we had 45 on-going projects awarded by tender (whether in progress or yet to commence) with an aggregate contract sum of approximately HK$430.4 million. Nine new projects with an aggregate contract sum of approximately HK$75.7 million were awarded to the Group during the Reporting Period, marking a rather positive period of growth.

Even though some challenges, such as the aging labour in the industry and the cost of operation, have been masking the prospects of the overall construction market, we have confidence in the development of Hong Kong's public residential market, as it is a rigid demand for Hong Kong people and also the Hong Kong Government's continued commitment to implement the public residential investment and housing policy through various short, medium and long term land supply initiations. Therefore, we will spare no effort in further strengthening our market share in the steel and metal engineering services in Hong Kong's public sector.

Looking ahead, the successful Listing has granted us even more solid financial situation and further strengthened our competitiveness. On top of our current business, we will consider expanding our footsteps into different regions, including the mainland of China. We believe our years of experience in the steel and metal engineering industry will lead us to new business momentums.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to all of our staff and management team for their contributions over the years, and to our shareholders, investors and business partners for their trust in the Group.

As a token of appreciation, the Board has recommended the declaration of an interim dividend of HK1.3 cent per share for the Reporting Period. We ensure that we will devote our best effort in sustaining the prosperity of the Company and therefor of our shareholders.

Lee Pui Sun
Chairman and Executive Director

Hong Kong, 28 November 2018

Management Discussion and Analysis

INDUSTRY OVERVIEW

Hong Kong's construction industry is experiencing a steady growth as the total gross value of construction works performed by main contractors in the first quarter of 2018 increased by 12.1% in nominal terms over a year earlier, according to the Census and Statistics Department.

In light of the imbalance of supply and demand in the housing market, Hong Kong Government has been proactively formulating policies to increase land supply and the number of public housing units. Based on the estimation by Transport and Housing Bureau, an average of approximately 20,000 units of public housing under Housing Authority is expected to be produced each year during 2018 to 2022. According to the 2018 policy address, Hong Kong Government will continue to implement the new initiatives in housing policies, increase the public-private housing ratio and allocate more land for housing development. In particular, 70% of housing units on the government's newly developed land will be for public housing. As an essential part of residential construction projects, steel and metal engineering services shall be prompted a growing demand from the public housing sector.

We are thrilled to see all the growth opportunities, but we shall not overlook certain potential challenges facing this industry, for instance, the reliance on the property market and the rising cost of operation.

On the one hand, the steel and metal works market in Hong Kong is highly associated with the development of the property market and government policies while there is a positive correlation between urban renewal and the needs for steel and metal works. As such, the reliance on the property market may impact the development of steel and metal works industry in Hong Kong. On the other hand, the growing price index of steel, a key raw material for manufacturing steel and metal works, coupled with the rising labour costs both in The People's Republic of China (the "PRC") and in Hong Kong, poses pressures on all manufacturers in the industry. In order to maintain our market shares in the industry, we will closely monitor the market and respond to changes in market conditions.

BUSINESS REVIEW AND OUTLOOK

The Group is a leading and well-established steel and metal engineering company, specialising in design, manufacture, supply and installation of steel and metal products for construction projects in Hong Kong. With a significant proportion of our revenue generated from the provision of steel and metal engineering services for public housing projects, we are far ahead of our competitors in the public sector. We also recognised moderate amounts of revenue from the provision of steel and metal engineering services for the private sector and from the sales of steel and metal products.

During our operation history of over 25 years, we have gained our leading position in the industry thanks to our extensive experience, outstanding reputation, and our own production facilities in Huizhou, Guangdong, which enable us to provide vertically integrated services. Furthermore, our stable and long-term relationships with our suppliers help the Group gain more flexibility in negotiating prices, resources allocation and project execution.

As at 30 September 2018, the Group had 45 on-going projects awarded by tender (whether in progress or yet to commence) with an aggregate contract sum of approximately HK$430.4 million.

During the Reporting Period, the Group had been awarded nine new projects with an aggregate contract sum of approximately HK$75.7 million, which is expected to be mainly recognised as our revenue after the year ending 31 March 2019. Among the nine new projects, the steel and metal works for public rental housing in North West Kowloon Reclamation Site enjoy the largest contract sum of approximately HK$35.1 million.

As presented in the recent Policy Address by the Chief Executive of the HKSAR, the Hong Kong Government has taken various measures, which shall have a positive impact to the Hong Kong construction industry and public housing sector. In view of the positive measures taken by the Hong Kong Government, the Directors are confident to the long-term outlook of the steel and metal industry in Hong Kong.

Considering the favorable market conditions, our outstanding competitive strengths, and abundant number of projects on hand with considerable contract sums, the Group shall remain cautiously optimistic towards the future. We shall take proactive actions to seize the opportunities arising from the flourishing market, and pursue more projects in different regions, including the mainland of China.

FINANCIAL REVIEW

Revenue

For the Reporting Period, the overall revenue of the Group has increased by approximately HK$11.8 million, or approximately 13.7% compared to the corresponding period in 2017, from approximately HK$86.2 million to approximately HK$98.0 million. Increase in revenue for the Reporting Period as compared to the corresponding period in last year was mainly because of more projects, such as certain public housing projects located in Tung Chung, Sha Tin, Sham Shui Po and Kwun Tong, being in the more intensive stage of engineering service (such as steel and metal products installation on site) during the Reporting Period, for which more revenue was recognised as compared to other stages of the engineering service.

Revenue from the provision of steel and metal engineering services increased by approximately HK$27.1 million, or approximately 52.3%, from approximately HK$52.0 million for the six months ended 30 September 2017 to approximately HK$79.1 million for the Reporting Period. The increase in revenue was primarily due to the progress achieved in projects on-hand.

Revenue from the sales of steel and metal products decreased by approximately HK$15.3 million, or 44.7% from approximately HK$34.2 million for the six months ended 30 September 2017 to approximately HK$18.9 million for the Reporting Period. As a result of the policy implemented by the Hong Kong Housing Authority, the demand of standardised collapsible gates declined, leading to a shift of product mix of the Group to decrease the sales of the said products.

Direct costs

The Group's direct costs primarily consist of direct material costs, direct labour costs, installation service fees, and other costs.

During the Reporting Period, the Group's direct costs amounted to approximately HK$61.3 million, representing an increase of approximately HK$4.4 million or approximately 7.7% as compared to the direct costs of approximately HK$56.9 million from the corresponding period last year. Such increase was mainly attributable to increase in number of site workers which resulted in an increase in direct labour costs.

Gross profit and gross profit margin

For the Reporting Period, the gross profit of the Group has increased by approximately HK$7.4 million, or approximately 25.5% as compared to the corresponding period in 2017, from approximately HK$29.3 million to approximately HK$36.7 million. The gross profit margin was approximately 37.4%, a moderate growth as compared to that of approximately 33.9% from the corresponding period last year. The increases in gross profit and gross profit margin were in line with the increased proportion of revenue from provision of steel and metal engineering services, which has a higher profit margin than the sales of steel and metal products.

Other income and other gains and losses

Our Group recorded other income and other gains and losses of approximately HK$1.8 million gain for the Reporting Period and approximately HK$0.8 million gain for the corresponding period last year. Such increase was mainly attributable to a gain on disposal of investment property classified as held for sale for HK$1.3 million.

Finance costs

Our finance costs remained relatively stable at approximately HK$0.1 million for both six-month periods ended 30 September 2017 and 2018.

Administrative expenses

For the Reporting Period, the administrative expenses increased by approximately HK$1.9 million or approximately 36.2% compared to the corresponding period in 2017, from approximately HK$5.3 million to approximately HK$7.2 million. The increase was mainly because of the increase in staff costs and professional fees, such as the costs arising from the setup of the newly added department of corporate governance and audit fee.

Listing expenses

The Group's listing expenses amounted to approximately HK$11.8 million for the Reporting Period, which were non-recurring in nature. No listing expenses were incurred for the six months ended 30 September 2017.

Income tax expense

For the Reporting Period, the income tax expense has increased by approximately HK$1.6 million or approximately 43.4% as compared to the corresponding period in 2017, from approximately HK$3.7 million to approximately HK$5.3 million. Such increase was in line with an increase in gross profit, coupled with the non tax-deductible listing expenses, the influence of which will be further discussed in the following section.

Profit for the period

Profit for the period of the Company has decreased by approximately HK$6.8 million or approximately 32.6% as compared to the corresponding period last year, from approximately HK$20.9 million to approximately HK$14.1 million. The decrease was primarily due to the non-recurring listing expenses of HK$11.8 million.

If the one-off listing expenses are not taken into account, the Group would have an adjusted net profit of approximately HK$26.0 million for the Reporting Period, which represents an increase of approximately HK$5.0 million or approximately 24.0% as compared to the corresponding period of previous year.

Current ratio

Our Group's current ratio, calculated based on the total current assets divided by the total current liabilities, decreased from approximately 5.4 times as at 31 March 2018 to approximately 3.7 times as at 30 September 2018.

The drop in the current ratio during the Reporting Period was mainly due to the payment of a special dividend of HK$24.0 million during the Reporting Period. Nonetheless, we still maintain a healthy liquidity level to support our business growth and development.

Gearing ratio

Our Group's gearing ratio, calculated based on the total interest-bearing debts divided by the total equity was nil as at 30 September 2018 as all interest-bearing bank borrowing and finance lease had been repaid. The gearing ratio was approximately 2.4% as at 31 March 2018.

Net profit margin

Our Group's net profit margin decreased from approximately 24.3% for the six months ended 30 September 2017 to approximately 14.4% for the Reporting Period, primarily due to the non-recurring listing expenses incurred during the Reporting Period.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The shares of the Company (the "Shares") were successfully listed (the "Listing") on the Main Board of the Stock Exchange on 12 October 2018 and there has been no change in capital structure of the Group after its listing.

The Group continued to exercise prudence in managing its financial resources. The Group maintained a sound financial position during the Reporting Period. As at 30 September 2018, the Group had total bank balances and cash of approximately HK$19.0 million (31 March 2018: approximately HK$28.6 million). As at 30 September 2018, the Group had net current asset of approximately HK$70.8 million, representing a decrease of approximately HK$11.0 million as compared to that of approximately HK$81.8 million as at 31 March 2018. The decrease was due to the special dividend of HK$24.0 million being declared and paid during the Reporting Period.

As at 30 September 2018, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity as at the respective period and multiplied by 100%, was nil (31 March 2018: approximately 2.4%).

CAPITAL EXPENDITURE AND COMMITMENTS

During the Reporting Period, the Group invested approximately HK$0.6 million in the purchase of property, plant and equipment. All these capital expenditures were financed by internal source of funds.

We had no capital commitments as at 31 March 2018 and 30 September 2018, respectively.

CHARGE ON GROUP ASSETS

As at 30 September 2018, the Group did not have any charges on the Group's assets (31 March 2018: Charge on the Group's assets with net carrying amount of approximately HK$4.7 million).

LITIGATION, CLAIMS AND NON-COMPLIANCES

Save as disclosed in the prospectus of the Company dated 28 September 2018 (the "Prospectus"), during the Reporting Period, our Group had not been involved in claims or litigation which had material adverse effect on our business, results of operations or financial condition.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2018 (as at 31 March 2018: Nil).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in Hong Kong dollars ("HK$") and incurs costs in Renminbi ("RMB") and HK$. The Group is exposed to foreign exchange risk based on fluctuations between HK$ and RMB arising from its core operation in the PRC. In order to minimise the foreign currency risk exposure between these two currencies, the Group generally maintains cash balances in both currencies that are sufficient to meet three to four months of operating cash flows requirements of the Group.

The Group had not experienced any material effects on its operation or liquidity as a result of fluctuations in currency exchange rates and had not adopted any currency hedging policy or any hedging instrument during the Reporting Period. The Group will continue to monitor foreign currency risk exposure and will consider hedging significant foreign currency risk should the need arise.

FUTURE PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Prospectus and the announcement of the Company dated 21 December 2018, the Group does not have other plans for material investment or capital assets.

INTERIM DIVIDEND

The Board has recommended the declaration of an interim dividend of HK1.3 cents per share for the Reporting Period (for the six months ended 30 September 2017: nil per share).

The interim dividend is expected to be distributed on or around 28 December 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 December 2018 to 17 December 2018 (both dates inclusive) during which no transfer of shares in the Company will be effected. To qualify for the 2018 interim dividend, all completed transfer documents, accompanied by the relevant share certificates have to be lodged with the Company's Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 12 December 2018 (Hong Kong time). The 2018 interim dividend is expected to be distributed on or around 28 December 2018 to shareholders whose names appear on the register of members of the Company as at the close of business on 17 December 2018.

EMPLOYEES AND REMUNERATION POLICY

As of 30 September 2018, we employed a total of 275 full-time employees, 136 of which are located in Hong Kong, and the rest are located in the PRC. As of 30 September 2017, we employed a total of 266 full-time employees, 106 of which are located in Hong Kong, and the rest are located in the PRC. The remuneration packages of employees are determined based on their qualifications, position and experience. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions. The total staff cost incurred by the Group for the Reporting Period was approximately HK$32.3 million, compared to approximately HK$19.6 million for the corresponding period in 2017. The increase in the staff cost was mainly a result of 1) a significant increase in the number of employees in Hong Kong; 2) a significant increase in the cost of staff retirement benefits in the PRC and Hong Kong.

The remuneration of the Directors is decided by the Board upon the recommendation from the remuneration committee of the Company after considering the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 12 October 2018, 190,000,000 shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.85 per share by way of global offering (the "Global Offering"). On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

The Company has conditionally adopted a share option scheme on 19 September 2018 (the "Scheme"). Details of the Scheme are set out in the section headed "Share Option Scheme" below.

SHARE OPTION SCHEME

In order to recognise the contributions that eligible participants have made or may make to the Group, to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group, and to attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group, the Company has conditionally adopted the Scheme on 19 September 2018, which became unconditional upon the Listing. Details of the principal terms of the Scheme were disclosed in the "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

No share options were granted, exercised, cancelled or lapsed under the Scheme since the adoption of the Scheme and up to the date of this interim report.

Corporate Governance and Other Information

DIRECTORS' AND THE CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Listing Date and the date of this interim report, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "SFO")), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

		As at the Listing Date and the date of this report	
Name of Director	**Capacity/Nature of interest**	**Number of shares (Note 1)**	**Approximate percentage of shareholding in the Company**
Mr. Lee Pui Sun ("Mr. PS Lee") (Note 2)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	75%
Ms. Lau Lai Ching ("Ms. LC Lau") (Note 3)	Interest in a controlled corporation and interest of spouse	570,000,000(L)	75%

Notes:

1. The letter "L" denotes the director's long position in the Shares.

2. Mr. PS Lee beneficially owns 70% of the issued share capital of HY Steel Company Limited ("HY Steel"). Mr. PS Lee is the spouse of Ms. LC Lau and is deemed to be interested in 30% of the issued share capital of HY Steel held by Ms. LC Lau. Therefore, Mr. PS Lee is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Mr. PS Lee is also a director of HY Steel.

3. Ms. LC Lau beneficially owns 30% of the issued share capital of HY Steel. Ms. LC Lau is the spouse of Mr. PS Lee and is deemed to be interested in 70% of the issued share capital of HY Steel held by Mr. PS Lee. Therefore, Ms. LC Lau is deemed to be interested in all the Shares held by HY Steel for the purpose of the SFO. Ms. LC Lau is also a director of HY Steel.

Save as disclosed above, as at the Listing Date and the date of this interim report, none of the directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Listing Date and the date of this interim report, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the directors and the chief executives of the Company, the following shareholders had notified the Company and the Stock Exchange of the relevant interests and short position in the shares and underlying shares of Company as follows:

		As at the Listing Date and the date of this report	
Name of Shareholder	**Capacity/Nature of interest**	**Number of shares(Note 1)**	**Approximate percentage of shareholding in the Company**
HY Steel(Note 2)	Beneficial owner	570,000,000(L)	75%

Notes:

1. The letter "L" denotes the substantial shareholder's long position in the Shares.

2. HY Steel is owned by Mr. PS Lee and Ms. LC Lau as to 70% and 30%, respectively.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its own code of conduct governing securities transactions by the Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required dealing standards set out in the Model Code throughout the period from the Listing Date to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Reporting Period.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to the date of this interim report, except for the deviation as mentioned below.

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. PS Lee currently holds both positions. The Board believes that vesting the roles of both Chairman of the Board and Chief Executive Officer in the same person would allow the Company to be more effective and efficient in developing long term business strategies and execution of business plans.

PUBLIC FLOAT

As at the date of this interim report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float requirements under the Listing Rules.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

As at the date of this interim report, the audit committee of the Board (the "Audit Committee") comprised all the independent non-executive Directors, namely Mr. Tse Ka Ching Justin (chairman), Mr. Au Yeung Wai Key and Hon Cheung Kwok Kwan, *JP*.

The Audit Committee had reviewed together with the management the Group's unaudited condensed consolidated financial statements for the Reporting Period, including the accounting principles and practices adopted by the Group and the internal control procedures of the Group, and discussed the relevant financial reporting matters.

EXTERNAL AUDITOR

The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's ordinary shares were listed on the Main Board of the Stock Exchange on 12 October 2018. The net proceeds from the initial public offering amounted to approximately HK$130.0 million after deduction of related expenses. Since the Listing and up to the date of this interim report, the unutilised net proceeds of HK$130.0 million from initial public offering were deposited in two licensed banks in Hong Kong.

By order of the Board
Hang Yick Holdings Company Limited
Lee Pui Sun
Chairman and Executive Director

Hong Kong, 28 November 2018

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

To the Board of Directors of Hang Yick Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Hang Yick Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 32, which comprises the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 November 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2018

	Notes	For the six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	4	**98,043**	86,195
Direct costs		**(61,334)**	(56,938)
Gross profit		**36,709**	29,257
Other income and other gains and losses		**1,816**	753
Administrative expenses		**(7,196)**	(5,283)
Finance costs		**(46)**	(74)
Listing expenses		**(11,847)**	–
Profit before taxation	5	**19,436**	24,653
Income tax expense	6	**(5,328)**	(3,715)
Profit for the period		**14,108**	20,938
Other comprehensive (expense) income for the period			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operation		**(2,825)**	480
Total comprehensive income for the period		**11,283**	21,418
Earnings per share			
Basic (HK cents)	7	**2.5**	3.7

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**11,529**	13,153
Prepaid lease payments		**3,892**	4,368
		15,421	17,521
Current assets			
Inventories		**19,545**	18,674
Prepaid lease payments		**183**	201
Trade receivables	10	**11,188**	17,850
Other receivables, deposits and prepayments		**6,193**	4,333
Contract assets	11	**41,366**	27,090
Bank balances and cash		**18,998**	28,603
		97,473	96,751
Assets classified as held for sale		**–**	3,410
		97,473	100,161
Current liabilities			
Trade and other payables and accruals	12	**15,644**	11,658
Contract liabilities	11	**1,210**	–
Tax payable		**9,782**	4,721
Obligations under finance leases		**–**	661
Bank borrowings	13	**–**	1,357
		26,636	18,397
Net current assets		**70,837**	81,764
Total assets less current liabilities		**86,258**	99,285

Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Provisions		**254**	254
Deferred tax liabilities		**164**	122
Obligations under finance leases		**–**	352
		418	728
Net assets		**85,840**	98,557
Capital and reserves			
Share capital	14	**–***	–*
Reserves		**85,840**	98,557
Equity attributable to owners of the Company		**85,840**	98,557

* Amount less than HK$1,000.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2018

	Share capital HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
For the six months ended 30 September 2018 (Unaudited)					
At 1 April 2018 (Audited)	**–***	**10**	**469**	**98,078**	**98,557**
Profit for the period	**–**	**–**	**–**	**14,108**	**14,108**
Exchange differences arising on translation of foreign operation	**–**	**–**	**(2,825)**	**–**	**(2,825)**
Total comprehensive (expense) income for the period	**–**	**–**	**(2,825)**	**14,108**	**11,283**
Dividend declared and paid (note 8)	**–**	**–**	**–**	**(24,000)**	**(24,000)**
At 30 September 2018 (Unaudited)	**–***	**10**	**(2,356)**	**88,186**	**85,840**
For the six months ended 30 September 2017 (Unaudited)					
At 1 April 2017 (Audited)	10	–	40	69,854	69,904
Profit for the period	–	–	–	20,938	20,938
Exchange differences arising on translation of foreign operation	–	–	480	–	480
Total comprehensive income for the period	–	–	480	20,938	21,418
At 30 September 2017 (Unaudited)	10	–	520	90,792	91,322

* Amount less than HK$1,000.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**12,609**	28,586
INVESTING ACTIVITIES		
Bank interest received	**19**	–
Purchases of property, plant and equipment	**(627)**	(2,560)
Proceeds from disposal of property, plant and equipment	**–**	50
Proceeds from disposal of investment properties	**4,749**	–
Net cash from (used in) investing activities	**4,141**	(2,510)
FINANCING ACTIVITIES		
Interests paid	**(46)**	(74)
Dividends paid	**(24,000)**	–
Repayments to Controlling Shareholders	**–**	(3,566)
Repayments of bank borrowings	**(1,357)**	(287)
Repayments of obligations under finance leases	**(1,013)**	(873)
Cash used in financing activities	**(26,416)**	(4,800)
Net (decrease) increase in cash and cash equivalents	**(9,666)**	21,276
Cash and cash equivalents at beginning of the period	**28,603**	31,387
Effect of foreign exchange rate changes	**61**	390
Cash and cash equivalents at end of the period represented by bank balances and cash	**18,998**	53,053

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law. Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit B, Upper G/F, Stage 4 Yau Tong Industrial Building, 18-20 Sze Shan Street, Yau Tong, Kowloon, Hong Kong, respectively. Its immediate and ultimate holding company is HY Steel Company Limited, which was incorporated in the British Virgin Islands ("BVI") and owned as to 70% by Mr. Lee Pui Sun ("Mr. PS Lee"), who is the chairman and executive director of the Company and 30% by Ms. Lau Lai Ching ("Ms. LC Lau"), who's the executive director of the Company. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 October 2018 (the "Listing Date") through global offering (the "Global Offering") as described in the section "Structure and Conditions of the Global Offering" in the prospectus of the Company dated 28 September 2018 (the "Prospectus").

The condensed consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's historical financial information for each of the three years ended 31 March 2018 included in the accountants' report as set out in appendix I to the Prospectus (the "Historical Financial Information"), which have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Pursuant to the reorganisation of the Group (the "Group Reorganisation") in connection with the Global Offering as described in the section "History, Reorganisation and Corporate Structure" in the Prospectus, the Company has become the holding company of the companies now comprising the Group on 28 March 2018. The Company and its subsidiaries have been under the common control of the controlling shareholders, namely Mr. PS Lee and Ms. LC Lau throughout the six months ended 30 September 2017 or since their respective dates of incorporation, where there is a shorter period. Accordingly, the condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting For Common Control Combinations" issued by the HKICPA. The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 September 2017 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the six months ended 30 September 2017, or since their respective dates of incorporation, where this is a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Historical Financial Information.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Note: The Group has early applied HKFRS 15 "Revenue from Contracts with Customer" throughout each of the three years ended 31 March 2018 (Details of the application of HKFRS 15 are disclosed in the Historical Financial Information).

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

Financial Instruments

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3. PRINCIPAL ACCOUNTING POLICIES – continued

3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" – continued

3.1.1 Classification and measurement of financial assets and financial liabilities

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15, the measurement categories for all other financial assets and financial liabilities of the Group as at 1 April 2018 remain the same upon the application of HKFRS 9. The carrying amounts for all financial assets and financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

3.1.2 Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and deposits and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES – continued

3.1 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" – continued

3.1.2 Impairment under ECL model – continued

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. PRINCIPAL ACCOUNTING POLICIES – continued

3.1 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” – continued

3.1.2 Impairment under ECL model – continued

Significant increase in credit risk – continued

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and considered the application of ECL model has no material impact to the financial position of the Group as at 1 April 2018 and results of the Group for the six months ended 30 September 2018.

The application of the amendments to HKFRSs and interpretations in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue represents the fair value of amounts received and receivable from the provision of engineering service or sales of goods by the Group to external customers. The Group's revenue is mainly derived from provision of steel and metal engineering services and sales of steel and metal products in Hong Kong during both periods.

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
– provision of steel and metal engineering services	**79,120**	51,964
Recognised at a point in time and short-term contracts		
– sales of steel and metal products		
• standardised collapsible gates	**9,591**	27,340
• other steel and metal products	**9,332**	6,891
	18,923	34,231
	98,043	86,195

The customers of the Group are mainly construction companies, contractors and engineering companies in Hong Kong. All of the Group's provision of steel and metal engineering services and sales of steel and metal products are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision makers ("CODM") (being the executive directors of the Company) review the segment results of the Group. Specifically, the Group's reportable segments are provision of steel and metal engineering services and sales of steel and metal products. However, no analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group on making decision for resources allocation and performance assessment.

4. REVENUE AND SEGMENT INFORMATION – continued

Segment information – continued

Segment revenue and profit

The following is an analysis of the Group's revenue to external customers and results by operating and reportable segment.

For the six months ended 30 September 2018 (Unaudited)

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	**79,120**	**18,923**	**98,043**
Segment results	**30,523**	**6,186**	**36,709**
Other income and other gains and losses			**1,816**
Administrative expenses			**(7,196)**
Finance costs			**(46)**
Listing expenses			**(11,847)**
Profit before taxation			**19,436**

For the six months ended 30 September 2017 (Unaudited)

	Provision of steel and metal engineering services HK$'000	Sales of steel and metal products HK$'000	Total HK$'000
Segment revenue	51,964	34,231	86,195
Segment results	19,736	9,521	29,257
Other income and other gains and losses			753
Administrative expenses			(5,283)
Finance costs			(74)
Profit before taxation			24,653

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results mainly represented profit earned by each segment, excluding other income and other gains and losses, administrative expenses, finance costs, listing expenses and income tax expense.

5. PROFIT BEFORE TAXATION

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	**1,378**	1,387
Depreciation on investment properties	**–**	133
Cost of inventories recognised as an expense	**23,872**	28,323
Sales of scrap materials (included in other income)	**(251)**	(576)
Amortisation of prepaid lease payments	**96**	92
Gain on disposal of investment property classified as held for sale (included in other gains and losses)	**(1,399)**	–

6. INCOME TAX EXPENSE

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**4,483**	3,566
The People's Republic of China (the "PRC") Enterprise Income Tax	**803**	133
	5,286	3,699
Deferred taxation	**42**	16
	5,328	3,715

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

The profits of group entities operating in Hong Kong but not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime will be applicable to one of the Company's subsidiary incorporated in Hong Kong starting from current year.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both periods.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following data:

	For the six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period attributable to owners of the Company)	**14,108**	20,938
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share (note)	**570,000**	570,000

Note: The number of ordinary shares for the purpose of calculating basic earnings per share for both periods have been determined on the assumption that the Group Reorganisation and the Capitalisation Issue (as defined in note 17(a)) have been effective on 1 April 2017.

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

8. DIVIDENDS

During the six months ended 30 September 2018, a special dividend of HK$240,000 per ordinary share (HK$24.0 million in aggregate) was declared and paid to the shareholders of the Company. No dividend was paid or declared by the Company during the six months ended 30 September 2017.

The Board has recommended the declaration of an interim dividend of HK1.3 cents per share for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property, plant and equipment amounting to approximately HK$627,000 (Unaudited) (six months ended 30 September 2017: HK$2,560,000 (Unaudited)).

10. TRADE RECEIVABLES

For customers that the Group provides engineering services on steel and metal works, the Group normally grants credit terms of 30 days from the date of invoices on progress payments of contract works. For customers that the Group sells metal and steel products, except for certain major customers of which the Group grants a credit period of up to 60 days from the delivery of goods, the Group grants no credit terms to other customers and they are to settle payment in full upon delivery of goods. The following is an ageing analysis of the trade receivables presented based on the invoice date at the end of the reporting period:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
0 – 30 days	**7,817**	15,407
31 – 60 days	**805**	543
61 – 90 days	**1,103**	325
Over 90 days	**1,463**	1,575
	11,188	17,850

As part of the internal credit risk management, the Group applies internal credit rating for its customers. The exposure to credit risk and ECL for trade receivables are assessed individually as at 30 September 2018. After the assessment of the Group, the impairment allowance on trade receivables is insignificant to the Group for the current interim period.

11. CONTRACT ASSETS/CONTRACT LIABILITIES

Contract assets

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Unbilled revenue from engineering services contracts	**21,740**	8,938
Retention receivables	**19,626**	18,152
	41,366	27,090

11. CONTRACT ASSETS/CONTRACT LIABILITIES – continued

Contract assets – continued

Contract assets represent the Group's rights to considerations from customers for the provision of steel and metal engineering services, which arise when the Group completed the steel and metal work under such contracts but yet certified by architects, surveyors or other representatives appointed by customers. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Retention receivables represent the monies withheld by customers of contract works and are unsecured and interest-free. Upon the expiration of defect liability period, normally ranging from 1 to 2 years from the date of completion of respective engineering service projects, the retention monies will be recoverable if the relevant engineering services have met the requirements in the contracts and the customers provide final inspections and acceptance certificates or in accordance with the terms specified in the relevant contracts.

The retention receivables are to be settled, based on the expiring of the defect liability period, at the end of the reporting period as follows:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
On demand or within one year	**5,922**	5,355
After one year	**13,704**	12,797
	19,626	18,152

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to engineering contracts. The exposure to credit risk and ECL for contract assets are assessed individually as at 30 September 2018. After the assessment of the Group, the impairment allowance on contract assets is insignificant to the Group for the current interim period.

Contract liabilities

Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received considerations (or amounts of considerations are due) from the customers.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade payables:		
0 – 30 days	**2,669**	1,740
31 – 60 days	**8**	430
61 – 90 days	**5**	–
Over 90 days	**9**	–
	2,691	2,170

13. BANK BORROWINGS

In May 2018, the Group early repaid all outstanding carrying amounts of its bank borrowings as at 31 March 2018 upon the completion of the disposal of the Group's investment property classified as held for sales as at 31 March 2018 and all outstanding personal guarantee and securities from Mr. PS Lee and Ms. LC Lau and charges on the Group's investment properties were also released in the same month.

14. SHARE CAPITAL

Details of the share capital of the Company are disclosed as follows:

		Amount	
	Number of shares	**HK$**	**HK$'000**
Ordinary shares of HK$0.01 each			
Authorised:			
1 April 2018 (Audited)	**38,000,000**	**380,000**	**380**
Increase (note)	**3,762,000,000**	**37,620,000**	**37,620**
As at 30 September 2018 (Unaudited)	**3,800,000,000**	**38,000,000**	**38,000**
Issued and fully paid:			
1 April 2018 (Audited) and 30 September 2018 (Unaudited)	**100**	**100**	**–***

* Amount less than HK$1,000.

Note: On 19 September 2018, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$38,000,000 by the creation of 3,762,000,000 additional shares, each ranking pari passu with the shares of the Company then in issue in all respects.

15. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions during the period:

(a) Rental expenses and operating commitments with related parties:

	For the six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Rental expenses to a related company (note)	**286**	–
Rental expenses to the Controlling Shareholders	**265**	–

Note: The related company is controlled by a director of the Company.

At the end of each reporting period, the Group had commitments for future minimum payments under non-cancellable operating leases with above related parties, which fall due as follows:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Within one year	**1,183**	566
In the second to fifth year inclusive	**1,638**	991
	2,821	1,557

(b) Compensation to key management personnel of the Group which represent the directors of the Company are as follows:

	For the six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Short-term benefits	**270**	90
Retirement benefit scheme contributions	**14**	5
	284	95

16. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

17. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Increase of issued share capital

Pursuant to the written resolutions of the shareholders of the Company passed on 19 September 2018, subject to the share premium account of the Company being credited as a result of the Global Offering and listing of the Company's share on the Stock Exchange, the directors of the Company are authorised to allot and issue a total of 569,999,900 shares of the Company credited as fully paid at par to the holder(s) of shares on the register of members of the Company at the close of business on 19 September 2018 (or as they may direct) in proportion to their shareholdings (save that no shareholder shall be entitled to be allotted and issued any fraction of a share) by way of capitalisation of the sum of HK$5,699,999 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 12 October 2018.

In connection with the listing of the Company's shares at the Stock Exchange on 12 October 2018, the Company issued and allotted 190,000,000 new ordinary shares in aggregate at HK$0.85 per share for an aggregate consideration of approximately HK$161.5 million.

(b) Share option scheme

The Company has conditionally adopted a share option scheme on 19 September 2018 (the "Scheme"). Details of the principal terms of the share option scheme are summarised in "Statutory and General Information – D. Share Option Scheme" in appendix IV to the Prospectus. The adoption of the Scheme became unconditional upon the listing of the Company's share on the Stock Exchange on 12 October 2018. No share options were granted, exercised, cancelled or lapsed under the Scheme since the adoption of the Scheme and up to the date of this interim report was authorised for issue.